

**CRAWFORD COUNTY
TRANSPORTATION AUTHORITY**

**ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008**

CRAWFORD COUNTY TRANSPORTATION AUTHORITY

Board of Directors

Ruth O'Mara

Dennis Long

Lee Riley

Brian Hulbert

Jeannette Kitchen

Fred Schaibley

Lynnette Corlew

Executive Director

Julee K. Dean

CRAWFORD COUNTY TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS 3-8

FINANCIAL STATEMENTS:

ENTERPRISE FUND

Statement of Net Assets 9

Statement of Revenues, Expenses, and Changes in Net Assets 10

Statement of Cash Flows 11-12

NOTES TO FINANCIAL STATEMENTS

NOTE A - General Information and Summary of Significant Accounting Policies 13-14

NOTE B - Cash and Investments 15-16

NOTE C - Accounts Receivable - Other 16

NOTE D - Property and Equipment 17

NOTE E - State Grants 17

NOTE F - Property Taxes 18

NOTE G - Michigan Employees Retirement System 18-20

NOTE H - Risk Management 20

NOTE I - Commitments - State Liens 20

NOTE J - Explanation of Ineligible Expenses per the BPT R&E Manual 21

NOTE K - Nonfinancial Data 21

NOTE L - Contingencies 21

Supplemental Information:

Schedule 1 - Operating Expenses 22

Schedule 2 - Schedule of Expenditures of Federal and State Grants 23

Schedule 3 - Net Eligible Cost Computations of General Operations 24

Schedule 4 - Detail of Ineligible Expenses and Revenues 25

Schedule 5 - Mileage Data - Unaudited 26

Report on internal control over financial reporting and on compliance and
other matters based on an audit of financial statements performed in
accordance with government auditing standards 27-29



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

October 31, 2008

Board of Directors
Crawford County Transportation Authority
4276 W. North Down River Road
Grayling, Michigan 49738

I have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements, of the Crawford County Transportation Authority as of and for the year ended September 30, 2008, as listed in the table of contents. These statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

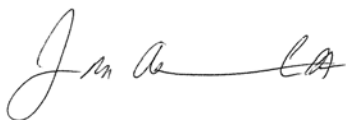
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Crawford County Transportation Authority as of September 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER MACPA and AICPA

In Accordance with Governmental Auditing Standards, I have also issued a report dated October 31, 2008, on my consideration of the Crawford County Transportation Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 3-8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crawford County Transportation Authority basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "James M. Anderson", followed by a stylized "P.C." or similar initials.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Using this Annual Report

Our discussion and analysis of the Crawford County Transportation Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2008. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Authority:

- . The first two statements are financial statements that provide both long-term and short-term information about the Authority's overall financial status. These statements report information about the Authority, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Authority's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities. This is one way to measure the Authority's financial health or position.
- . The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Authority as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Transit Authority as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and change in Net Assets report information about the Authority, as a whole, and about its activities in a way that helps answer the question of whether the Authority, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Authority's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received and paid.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

The two statements, mentioned above, report the Authority's net assets and how they have changed. The reader can think of the Authority's net assets (the difference between assets and liabilities) as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Authority's vehicles, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Transit Authority as Whole

The Authority's net assets decreased approximately .10%, or \$2,031, from \$1,966,814 to \$1,964,783 for the year ended September 30, 2008. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position remained relatively the same in 2008. The unrestricted net assets decreased by \$221,954 and the net contributed equity and investment in capital assets increased by \$219,923. The primary reasons for the net decrease was the increase in total expense of \$126,165 and net increase of revenues of \$191,481.

The net assets as of the year ended September 30, 2008, are as follows:

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$1,454,434	\$1,673,762	\$(219,328)	(13.10)
Capital Assets	<u>682,208</u>	<u>462,285</u>	<u>219,923</u>	<u>47.57</u>
Total Assets	<u>2,136,642</u>	<u>2,136,047</u>	<u>595</u>	<u>0.03</u>
Current Liabilities	171,859	169,233	2,626	1.55
Noncurrent Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>171,859</u>	<u>169,233</u>	<u>2,626</u>	<u>1.55</u>
Net Assets				
Invested in Capital Assets	682,208	462,285	219,923	47.57
Unrestricted	<u>1,282,575</u>	<u>1,504,529</u>	<u>(221,954)</u>	<u>(14.75)</u>
Total Net Assets	<u><u>\$1,964,783</u></u>	<u><u>\$1,966,814</u></u>	<u><u>\$ (2,031)</u></u>	<u><u>(0.10)</u></u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 227,383	\$ 225,167	\$ 2,216	0.98
Nonoperating Revenue				
Taxes Levied for Authority	388,780	376,865	11,915	3.16
State of Michigan				
Operating Grants	530,193	514,985	15,208	4.04
Federal Operating Grants	234,021	224,924	9,097	4.04
Capital Grants	169,797	11,751	158,046	1344.96
Interest	47,400	54,468	(7,068)	(12.98)
Miscellaneous	<u>2,159</u>	<u>92</u>	<u>2,067</u>	<u>2247.74</u>
Total Revenue	<u>1,599,733</u>	<u>1,408,252</u>	<u>191,481</u>	<u>13.60</u>
Operating Expense				
Salaries and Wages	726,834	687,495	39,339	5.72
Fringe Benefits	352,320	337,613	14,707	4.36
Depreciation	172,518	167,255	5,263	3.15
Other	<u>350,092</u>	<u>283,236</u>	<u>66,856</u>	<u>23.60</u>
Total Operating Expense	<u>1,601,764</u>	<u>1,475,599</u>	<u>126,165</u>	<u>8.55</u>
Income (Loss)	(2,031)	(67,347)	65,316	96.98
Beginning Net Assets	<u>1,966,814</u>	<u>2,034,161</u>	<u>(67,347)</u>	<u>(3.31)</u>
Ending Net Assets	<u>\$1,964,783</u>	<u>\$1,966,814</u>	<u>\$ (2,031)</u>	<u>(0.10)</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Capital Asset and Debt Administration

At September 30, 2008, the Authority had \$682,208 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$219,923 or 47.57% as follows:

	<u>2008</u>	<u>2007</u>	<u>Total Percentage Change 2007-2008</u>
Capital Assets Not Being Depreciated			
Land	\$ 75,468	\$ 27,005	179.46
Subtotal	<u>75,468</u>	<u>27,005</u>	<u>179.46</u>
Capital Assets Being Depreciated			
Building	836,271	832,258	0.48
Vehicles	1,433,358	1,198,485	19.60
Equipment	<u>347,511</u>	<u>328,549</u>	<u>5.77</u>
Subtotal	<u>2,617,140</u>	<u>2,359,292</u>	<u>10.93</u>
Total Capital Assets	<u>2,692,608</u>	<u>2,386,297</u>	<u>12.84</u>
Total Accumulated Depreciation	<u>2,010,400</u>	<u>1,924,012</u>	<u>4.49</u>
Total Net Capital Assets	<u>\$ 682,208</u>	<u>\$ 462,285</u>	<u>47.57</u>

Please refer to the notes of the financial statements for more detailed information.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Statistics:

The passenger count for FY2008 was 117,869 passengers. This represents a 7,727 increase from FY2007. It also represents a 12,227 passenger count increase from FY2006. Of the 117,869 rides we provided (A)Senior citizens represented 9,252, (B)15,098 were special needs riders, (C)5,596 were senior/special needs and (D)5,421 of our riders required a wheelchair lift. This shows how very important our service is to many people in Crawford County.

Our Rural Health runs remained solid throughout the year, with a total of 2,926 hours of non-emergency medical transportation runs taking place. Again, as in past years, CCTA received several donations to go toward these runs. CCTA is currently transporting seven individuals three times a week to dialysis.

Accidents:

CCTA was involved in two accidents in FY2008. Neither accident was the fault of a CCTA driver. Although there was substantial damage to one bus, no serious injuries occurred.

System Issues:

Health Care, Liability Insurance and Fuel Costs:

As in past years, these issues remain somewhat problematic because of the rising costs involved with each. Fuel was a serious problem during FY2008, prices were two and a half times what they were during FY2006. FY2009 brought much lower fuel prices. Hopefully this is a sign of the times to come.

Personnel:

CCTA had one employee quit in FY2008. I decided not to hire anyone to fill this position so that other employees could get a few more hours and CCTA could save on the cost of the position and the cost of health care.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Litigation:

CCTA is still receiving payments from Third Coast Software for the incomplete software program that we did not receive. Our company attorney keeps abreast of the situation.

As of September 30, 2008, CCTA is not involved in any other form of litigation.

Management meetings:

As CCTA management, I continue to attend the local Crawford County Collaborative Body meetings monthly. Most Human Service agencies in Crawford County attend these meetings. It is the intent of all the agencies in attendance to help better the lives of the less fortunate. I am also a Board member of the Crawford County Economic Development Partnership (CCEDP). It is the goal of the CCEDP to help expand economic development in our County.

Overall, CCTA is running very smoothly and effectively. Employee moral is high, and we continue to have an increase in passenger ridership each month. We are still in need of additional buses. CCTA should be receiving two (2) new buses prior to the end of 2009.

It is the goal of Crawford County Transportation Authority to provide the best possible service to our customers. As shown by our ridership figures for FY2008, many individuals in Crawford County depend on us as their sole means of transportation.

Julee K. Dean
Executive Director

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
ENTERPRISE FUND
SEPTEMBER 30, 2008

ASSETS

Current Assets:

Cash	\$ 855,299
Investments	456,176
Accounts receivable	18,326
Account receivable - other	33,540
Inventories	35,523
Prepaid expenses	<u>55,570</u>

Total Current Assets 1,454,434

Property and equipment,
less accumulated depreciation 682,208

Total Assets 2,136,642

LIABILITIES

Current Liabilities:

Accounts payable	3,969
Due to other governmental units	77,917
Accrued liabilities	78,253
Deferred revenue	<u>11,720</u>

Total Current Liabilities 171,859

NET ASSETS:

Invested in capital assets, net of related debt	682,208
Unrestricted	<u>1,282,575</u>

Total Net Assets \$ 1,964,783

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2008

Operating Revenues	
Charges for services:	
Passenger fares	\$ 54,718
Contract Fares	161,677
Meals on wheels	9,423
Package delivery	593
Vehicle maintenance	<u>972</u>
Total Operating Revenues	<u>227,383</u>
Operating Expenses	
Salaries and wages	726,834
Fringe benefits	352,320
Materials and supplies	242,701
Services	26,634
Utilities	23,666
Casualty and liability insurance	53,727
Miscellaneous	3,364
Depreciation	<u>172,518</u>
Total Operating Expenses	<u>1,601,764</u>
Operating Income (loss)	<u>(1,374,381)</u>
Non-Operating Revenues (expenses)	
Property taxes	388,780
Federal	234,021
State - Demand response	530,193
State and Federal capital grants	169,797
Interest/investment income	47,400
Gain on sale of assets	2,127
Miscellaneous	<u>32</u>
Total Non-Operating Revenues	<u>1,372,350</u>
Change in Net Assets	(2,031)
Net Assets - October 1, 2007	<u>1,966,814</u>
Net Assets - September 30, 2008	<u>\$ 1,964,783</u>

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR YEAR ENDED SEPTEMBER 30, 2008

Cash flows from operating activities	
Cash receipts from operations	\$ 208,327
Cash payments for supplies and services	(338,160)
Cash payments for employee services and fringes	<u>(1,071,794)</u>
Net cash provided (used) by operating activities	<u>(1,201,627)</u>
Cash flows from noncapital financing activities	
Property taxes	388,780
Federal operating grants	228,043
State operating grants	<u>530,193</u>
Net cash provided (used) by noncapital financing activities	<u>1,147,016</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	169,797
Purchase of fixed assets	(392,441)
Sale of fixed assets	<u>2,127</u>
Net cash provided (used) by capital and related financing activities	<u>(220,517)</u>
Cash flows from investing activities	
Purchase of investments	(16,837)
Investment income	47,400
Collection on Accounts receivable - other	8,856
Miscellaneous income	<u>32</u>
Net cash provided (used) in investing activities	<u>39,451</u>
Net increase (decrease) in cash and cash equivalents	(235,677)
Cash and Cash Equivalents - October 1, 2007	<u>1,090,976</u>
Cash and Cash Equivalents - September 30, 2008	<u>\$ 855,299</u>

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND (CONTINUED)
FOR YEAR ENDED SEPTEMBER 30, 2008

Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>\$(1,374,381)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	172,518
Decrease (increase) in accounts receivable	1,344
Decrease (increase) in inventories	(10,283)
Decrease (increase) in prepaid expenses	571
Increase (decrease) in accounts payable	(9,082)
Increase (decrease) in accrued liabilities	7,360
Increase (decrease) in deferred revenue	<u>10,326</u>
Total adjustments	<u>172,754</u>
Net cash provided (used) by operating activities	<u><u>\$(1,201,627)</u></u>

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE A - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DESCRIPTION OF OPERATIONS AND FUND TYPE

The Authority was organized in 1982, as successor to the Crawford County Public Transit. In 1998 The Authority reorganized under Act 196 of 1986 of the Public Acts of the State of Michigan. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transportation services to the general public within Crawford County.

The Authority Operations Fund is classified as an Enterprise Fund to conform to management requirements and State regulations. An Enterprise Fund is used to report operations that provide services which are financed by user charges, of activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Enterprise Funds use the accrual basis of accounting.

The following is a summary of the significant accounting policies of the Authority:

INVENTORY - Inventories of fuel, lubricants, tires, tubes and vehicle parts are recorded at cost, less estimated allowances for obsolescence, and are expended using the cost method. Obsolete inventory has been marked-down to its estimated market value. Inventories of office supplies and other similar items are recorded as an expenditure at the time of purchase.

FIXED ASSETS AND DEPRECIATION - Fixed assets acquired prior to 1982 are stated at salvage value. All other fixed assets are stated at cost. Fixed assets purchased with moneys furnished by the State and the U.S. Department of Transportation are secured by the State. These assets are, at the State's option, either returned to the State or otherwise disposed when retired. Depreciable fixed assets are depreciated over the estimated useful life of the assets on the straight-line method.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES - All compensated absences are recorded as an expense and a liability as they are earned.

PROPERTY TAXES - Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local units of government within the County and are periodically remitted to the Authority through the County during the collection period. The taxes are recognized as revenue in the year in which payment is due.

STATE AND FEDERAL OPERATING ASSISTANCE - Revenues from State and Federal operating assistance programs are recognized when earned rather than when received. Earned revenues from these sources are computed using the approved cost allocation principles and guidelines approved by the Michigan Department of Transportation.

COST ALLOCATIONS - The following are the major cost allocations used by the Authority and which have been approved by the State:

Building depreciation and utilities costs are allocated among operations, maintenance and administration based on the square footage utilized by each function.

Maintenance of Third-Party Vehicles - Expenses related to charges for maintenance of third-party vehicles are allocated as follows:

1. Labor and fringe costs are charged to third-party maintenance and bus maintenance based on direct maintenance hours charged to each.
2. Parts charges are based on original cost.
3. Supplies, utilities and depreciation costs are prorated between third-party maintenance and bus maintenance based on direct maintenance hours charged to each.

Charter - The charter rate is negotiated with each customer based on prior years operating expenses.

Project Zero - Costs are allocated to this program according to the approved plan.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE B - CASH AND INVESTMENTS

Cash deposits are held at Citizens Bank, Chemical Bank, Huntington Bank and Fifth Third Bank, both directly and through the Crawford County Treasurer's Common Cash Account. Cash on deposit held by the Crawford County Treasurer shares FDIC insurance coverage with all other assets held by the County Treasurer. The proportionate share of FDIC insurance coverage related to the Authority's cash and certificate of deposit held by the County Treasurer has not been determined.

Operations Fund investments are in Bank One Short Term Investment Fund for governmental entities, and American Express Mutual Funds.

State statute authorizes investment of funds in obligations of the U.S.; certificates of deposits and savings and checking accounts with banks, savings and loan associations of credit unions which are insured with the applicable federal agency; commercial paper within the three highest rate classifications by two rating services, maturing not later than 270 days from date, to the extent of 50% of total surplus funds; U.S. or agency repurchase agreements; bankers' acceptance of U.S. banks; and mutual funds.

Cash of the Operations Fund is stated at cost which approximates market value. Investments of the Operating fund are stated at cost.

Deposits

Petty Cash	\$ 900
Insured - demand deposits and interest bearing accounts & certificates	394,276
Uninsured - deposits and certificates	364,060
Uninsured - (Cash with County) Common Cash	<u>96,063</u>
Total cash	<u>\$ 855,299</u>

	<u>Cost</u>	<u>Market</u>
Operations Fund Investments		
Uninsured, Uncollateralized, held by agent: Bank One Short Term Investment Fund for governmental units	\$ 346,771	\$ 346,771
American Express:		
AXP Short Duration U.S. Government Fund	60,069	57,669
Equity Value Funds	<u>49,336</u>	<u>48,987</u>
Total Operations Fund Investments	<u>\$ 456,176</u>	<u>\$ 453,427</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE B - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE C - ACCOUNTS RECEIVABLE - OTHER

Crawford County Public Transit advanced monies to a software company for developing a dispatch computer program in 2002. The program was never completed and the money was not repaid. A judgement was obtained for \$50,000 which included all costs, attorney fees, and interest. A down payment of \$2,000 was paid at time of the judgement. Monthly payments of \$750 including interest at 5% are due until amount is fully paid.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 10/1/07	Additions	Deductions	Balance 9/30/08
Land	\$ 27,005	\$ 48,463	\$ -0-	\$ 75,468
Buildings	832,258	4,013	-0-	836,271
Buses	1,198,485	312,511	77,638	1,433,358
Operations equipment	98,711	-0-	-0-	98,711
Garage equipment	150,303	5,422	8,492	147,233
Office equipment	32,872	18,246	-0-	51,118
Computer equipment	46,663	3,786	-0-	50,449
Totals	<u>\$ 2,386,297</u>	<u>\$ 392,441</u>	<u>\$ 86,130</u>	\$ 2,692,608
Accumulated depreciation	<u>\$ 1,924,012</u>	<u>\$ 172,518</u>	<u>\$ 86,130</u>	<u>2,010,400</u>
Net property and equipment				<u>\$ 682,208</u>

The total depreciation expense for fiscal year ending September 30, 2008 was \$172,518. The eligible depreciation of \$38,965 (\$172,518 total depreciation less ineligible depreciation \$133,553) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

Useful lives of depreciable assets are as follows:

Buses & rehabilitations	3-10 years
Operations equipment	5-10 years
Garage equipment	3-15 years
Office equipment	3-10 years
Computer equipment	3-7 years
Building	4-20 years

NOTE E - STATE GRANTS

The Transportation Authority has contracted with the State of Michigan for grant funds for operations and equipment. All of the monies that the Authority is not eligible to receive has not yet been disbursed to them, as the projects have not yet been completed. As of September 30, 2008, \$162,570 is still available to the Authority under those grants.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE F - PROPERTY TAXES

In August 1988 the voters of Crawford County approved a countywide property tax levy (renewal) of up to 0.75 mill to provide for the continued operation of the Authority. Net property taxes collected for the year ended September 30, 2008 were \$382,780.

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTION - On August 1, 1997 the Authority Board of Directors adopted a defined benefit plan of the Michigan Employees Retirement System (MERS). MERS, an agent, multiple-employer public employee retirement system, acts as the common investment and administrative agent pursuant to State of Michigan Public Act 427 of 1984, as amended, and the Constitution of the State of Michigan. The Authority's plan provides benefits for Normal retirement, Deferred retirement, Disability retirement, Non-duty death allowance, Duty-connected death allowance, and all employees of the Authority participate. All participating employees have received prior service credit from their date of hire. There is no vesting for the first 10 years, and 100% vesting after 10 years.

Employees are eligible for retirement upon attaining the age of 50, and have completed 25 years of employment service; at age 55 with 15 years of employment service; or at age 60 with 10 years of employment service.

FUNDING POLICY - The plan's funding policy provides for mandatory employee contributions at a rate of 4.8% of regular gross wages and employer contributions of 10.54% for the last three months of 2007 and 10.63% from January through September 30, 2008. Crawford County Transportation Authority elected to make employer contributions at 14% for the fiscal year. Required employer contributions are based on a percentage of compensation projected into the middle of the calendar year.

The normal cost and amortization payment were determined using the entry age normal actuarial funding method. Actuarial assumptions include (a) projected salary and wage increases of due to inflation of 4.5% and from 0.0% to 8.40% based on merit and longevity, (b) a net long-term investment yield rate of 8%, (c) 1994 Group Annuity Mortality Tables.

Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over 30 years.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

ANNUAL PENSION COST - For the fiscal year ended September 30, 2008 the Authority's actual pension cost of \$97,685, was 14% for October 2007 through September 2008. Total covered payroll for the year ended September 30, 2008 was \$697,745.

Components of the Actuarial Accrued Liability at December 31, 2007 the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 1,703,338
Terminated employees (vested former members) not yet receiving benefits	82,242
Non-vested terminated employees (pending refunds of accumulated member contributions)	88
Current employee contributions - Including allocated investment income	233,618
Employer financed contributions - Including allocated investment income	<u>1,259,570</u>
Total Actuarial Accrued Liability	3,278,856
Net Assets Available for Benefits at Actuarial Value (Market Value \$3,116,367)	<u>3,080,432</u>
Unfunded Actuarial Accrued Liability	<u><u>\$ 198,424</u></u>

For calendar year 2009 the Annual Required Contribution is \$71,520. The amortization factor used is .055889.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Trend information of Aggregate Accrued Liabilities follows:

Valuation Date	<u>2007</u>	<u>2006</u>	<u>2005</u>
Accrued Liabilities	<u>\$ 3,278,856</u>	<u>\$ 3,082,039</u>	<u>\$ 2,790,377</u>
Valuation Assets	<u>\$ 3,080,432</u>	<u>\$ 2,853,984</u>	<u>\$ 2,636,698</u>
Funded Percent	<u>94</u>	<u>93</u>	<u>94</u>
Unfunded Actuarial Liability	<u>\$ 198,424</u>	<u>\$ 228,055</u>	<u>\$ 153,679</u>
Unfunded Actuarial Liability as a Percent of Annual Payroll	<u>29</u>	<u>36</u>	<u>23</u>

NOTE H - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical benefits provided to full-time employees. The Authority has purchased commercial insurance for medical benefits, disability, and workers' compensation; fleet, real and personal property coverage; and general liability coverage.

NOTE I - COMMITMENTS - STATE LIENS

The Authority's facility is financed with both Federal and State funds. Part of the terms and conditions of the use of Federal and State funds is the requirement that the facility continue to be used for the purposes stated in the Authority's grant application, in perpetuity. Should the facility cease to be used for its stated purpose it will either revert to the Federal government or be sold and the proceeds divided proportionate to the original investment.

Most buses and a substantial amount of the equipment of the Authority have been purchased with State and Federal Grants. The Authority, by accepting those grants have accepted the obligation to use that equipment for public transportation purposes for the life of each asset.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE J - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

NOTE K - NONFINANCIAL DATA

The methodology used for compiling mileage on Schedule 5 - Mileage Data is an adequate and reliable method for recording vehicle mileage.

NOTE L - CONTINGENCIES

Amounts received or receivable under grant programs are subject to audit and adjustment by the grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Transit agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Transit agency expects such amounts, if any, to be immaterial.

SCHEDULE 1

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
 OPERATING EXPENSES
 YEAR ENDED SEPTEMBER 30, 2008

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 489,279	\$ -0-	\$ -0-	\$ 489,279
Other salaries and wages	-0-	44,291	111,672	155,963
Dispatcher's salaries and wages	81,592	-0-	-0-	81,592
Fringe Benefits:				
Other fringe benefits	210,949	22,493	21,193	254,635
Pensions	78,407	4,853	14,425	97,685
Services:				
Advertising fees	-0-	-0-	3,199	3,199
Audit costs	-0-	-0-	3,985	3,985
Other services	6,506	5,794	7,150	19,450
Materials and Supplies Consumed				
Fuel and lubricants	174,661	-0-	-0-	174,661
Tires	-0-	4,329	-0-	4,329
Other materials and supplies	505	52,151	11,055	63,711
Utilities	10,968	7,767	4,931	23,666
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	50,518	990	2,219	53,727
Miscellaneous Expenses				
Travel and meetings	-0-	-0-	3,364	3,364
Depreciation	<u>142,125</u>	<u>22,190</u>	<u>8,203</u>	<u>172,518</u>
Total Expenses	<u>\$ 1,245,510</u>	<u>\$ 164,858</u>	<u>\$ 191,396</u>	<u>\$1,601,764</u>

SCHEDULE 2

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Federal and State Grantor/Pass-Through	Federal CFDA Number	Grant Number	Program Award Amount	Current Year Expenditures			Prior Year Expend- itures	Award Amount Remaining
				Total	Federal	State		
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	07-0198/Z3	<u>\$ 234,021</u>	<u>\$ 234,021</u>	<u>\$ 234,021</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Federal Transit Capital Grants								
Capital Grant	20.500	02-0030/Z16	10,000	2,075	2,075	-0-	7,925	-0-
Capital Grant	20.500	02-0030/Z18	27,777	27,777	22,222	5,555	-0-	-0-
Capital Grant	20.509	07-0198/Z2	10,000	10,000	10,000	-0-	-0-	-0-
Capital Grant	20.500	02-0030/Z17	162,570	-0-	-0-	-0-	-0-	162,570
Capital Grant	20.500	02-0030/Z15	<u>129,945</u>	<u>129,945</u>	<u>103,956</u>	<u>25,989</u>	<u>-0-</u>	<u>-0-</u>
Total Capital Grants			<u>340,292</u>	<u>169,797</u>	<u>138,253</u>	<u>31,544</u>	<u>7,925</u>	<u>162,570</u>
Michigan Department of Transportation								
Non Urban Operating Assistance - Act 51 Current Year	N/A	N/A	<u>530,193</u>	<u>530,193</u>	<u>-0-</u>	<u>530,193</u>	<u>-0-</u>	<u>-0-</u>
Total Federal and State Grants			<u><u>\$1,104,506</u></u>	<u><u>\$ 934,011</u></u>	<u><u>\$ 372,274</u></u>	<u><u>\$ 561,737</u></u>	<u><u>\$ 7,925</u></u>	<u><u>\$ 162,570</u></u>

SCHEDULE 3

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	FEDERAL SECTION 5311 <u>07-0198/Z3</u>	STATE OPERATING ASSISTANCE
Operating Expenses:		
Salaries and wages	\$ 726,834	\$ 726,834
Fringe benefits	352,320	352,320
Materials and Supplies	242,701	242,701
Services	26,634	26,634
Utilities	23,666	23,666
Casualty and Liability insurance	53,727	53,727
Miscellaneous	3,364	3,364
Depreciation	<u>172,518</u>	<u>172,518</u>
Total operating expenses	<u>1,601,764</u>	<u>1,601,764</u>
Less ineligible expenses:		
Depreciation funded by grants	133,553	133,553
Audit	3,985	-0-
Package delivery	593	593
Outside maintenance	972	972
Other miscellaneous reimbursements	<u>32</u>	<u>32</u>
Total ineligible expenses	<u>139,135</u>	<u>135,150</u>
Net eligible expenses	<u>\$ 1,462,629</u>	<u>\$ 1,466,614</u>
Section 5311		
Reimbursement 16.0%	<u>\$ 234,021</u>	
State operating assistance (36.1508%)		<u>\$ 530,193</u>

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY
DETAIL OF INELIGIBLE EXPENSES AND REVENUES
YEAR ENDED SEPTEMBER 30, 2008**

Depreciation

Depreciation accrued from assets funded by capital grants is considered ineligible in accordance with the Bureau of Passenger Transportation's Revenue and Expense manual.

Annual Audit Fees

Any Transit Agency that expends less than \$500,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311. Therefore, \$3,985 has been treated as ineligible for Section 5311 purposes.

Package Delivery

Revenues equal to expenses associated with package delivery are not eligible and are treated as ineligible in accordance with the Bureau of Passenger Transportation's Revenue and Expense Manual.

Outside Maintenance

The Transportation Authority provides maintenance services in Crawford County. 100% of the revenue from those services was considered ineligible.

Capital Grants

Capital grant funds used to pay operating expenses are required to be treated as ineligible for calculating state and federal operating assistance. During the current year, the Transit Authority did not have any of these types of expenses.

SCHEDULE 5

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MILEAGE DATA - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2008

	<u>Public Transportation Mileage</u>
DEMAND RESPONSE	
1 st Quarter	126,306
2 nd Quarter	133,985
3 rd Quarter	132,210
4 th Quarter	<u>114,417</u>
TOTAL OPERATIONS	<u><u>506,918</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 31, 2008

Board of Directors
Crawford County Transportation Authority
4276 W. North Down River Road
Grayling, Michigan 49738

Dear Board:

I have audited the accompanying financial statements of the Crawford County Transportation Authority for the year ended September 30, 2008, and issued my report thereon dated October 31, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Crawford County Transportation Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Crawford County Transportation Authority's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

MEMBER MACPA and AICPA

Segregation of Duties

The idea of segregation of duties is that two or more persons are part of a process, such as cash disbursements, so that if a mistake is made by one, it will become apparent to another within a reasonable time period.

Currently, the Authority has one person in the bookkeeping staff who is responsible for writing cash receipts received by mail, writing checks, recording cash receipts, cash disbursements, payroll, bank transfers and adjusting journal entries as well as preparing bank reconciliations.

Monthly financial statements, conveyance of bank transfers and cash receipts deposits, and signing of checks are done by Management personnel or the Board of Directors.

With the limited bookkeeping staff, the Authority has an inherent weakness in the internal controls related to the bookkeeping functions. Segregation of these duties should be made on a practical basis.

Financial Statement Preparation

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Authority has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Authority's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.

A Control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Crawford County Transportation Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. I consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

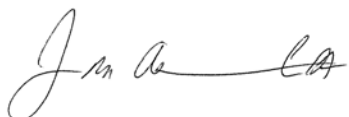
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above I consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crawford County Transportation Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and Board of Directors, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

October 31, 2008

Board of Directors
Crawford County Transportation Authority
4276 W. North Down River Road
Grayling, MI 49738

I have audited the financial statements of the business-type activity and major fund of the Crawford County Transportation Authority for the year ended September 30, 2008, and have issued my report thereon dated October 31, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated October 30, 2008, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Crawford County Transportation Authority. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Crawford County Transportation Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Crawford County Transportation Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Crawford County Transportation Authority during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

MEMBER MACPA and AICPA

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Crawford County Transportation Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Crawford County Transportation Authority, either individually or in the aggregate, indicate matters that could have a significant effect on Crawford County Transportation Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Crawford County Transportation Authority's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Board of Directors
Crawford County Transportation Authority
October 31, 2008
Page 3

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant